

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE FEASIBILITY AND )  
ADVISABILITY OF KENTUCKY-AMERICAN ) CASE NO. 2001-00117  
WATER COMPANY'S PROPOSED SOLUTION TO )  
ITS WATER SUPPLY DEFICIT )

ORDER

On May 15, 2001, the Commission initiated this proceeding to investigate the feasibility and advisability of Kentucky-American Water Company's ("Kentucky-American") proposed solution to its water supply deficit. This action followed our receipt of a detailed report from Kentucky-American on its efforts since August 21, 1997 to ensure adequate sources of supply to meet customer demand through 2020. In this report, Kentucky-American stated that, in light of resolutions of the Lexington-Fayette Urban County Government Council that urged a Kentucky River solution to its water supply deficit, the water utility had chosen to focus exclusively on the Kentucky River as its sole source of supply.<sup>1</sup> It also raised several serious questions as to the feasibility and adequacy of Kentucky-American's Kentucky River solution.

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<sup>1</sup> According to Kentucky-American's report, the Kentucky River solution involves raising the height of several of the dams along the Kentucky River to permit additional water to be impounded and withdrawn. See, Kentucky-American Water Company, Source of Supply and Treatment Status (Mar. 19, 2004) at 23 – 26.

After this proceeding began, a group of government agencies and water utilities<sup>2</sup> formed the Bluegrass Water Supply Consortium (“BWSC”) to study and address Central Kentucky’s need for additional potable water. This group, in conjunction with the Bluegrass Area Development District, retained consultants to review previous efforts to address Central Kentucky’s water supply deficit, assess current water supplies, identify options for future water supplies, and recommend preferred alternatives. On February 27, 2004,<sup>3</sup> these consultants issued their report,<sup>3</sup> a copy of which was subsequently filed with the Commission.<sup>4</sup>

The consultants found that Kentucky River Pool No. 3 would be the preferred additional water source for Central Kentucky and recommended that raw water intake and treatment facilities be constructed near it. They further found that raw water from the Ohio River should supplement this water source and recommended the construction of a raw water intake and pumping station at the Ohio River and a raw water pipeline to transport water from these facilities to the proposed water treatment facilities near Pool No. 3. They also recommended creation of a grid network of treated water pipelines within the Central Kentucky area among BWSC members. Finally, the consultants

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<sup>2</sup> These were: Berea College Utilities, city of Cynthiana, city of Danville, Frankfort Electric and Water Plant Board, Georgetown Municipal Water and Sewer Service, city of Harrodsburg, Kentucky-American Water Company, city of Lancaster, city of Lawrenceburg, Lexington-Fayette Urban County Government, Mount Sterling Water and Sewer Commission, Nicholasville Combined Utilities, city of Paris, Richmond Water, Gas & Sewage, Shelbyville Municipal Water and Sewer Commission, city of Versailles, city of Wilmore, and Winchester Municipal Utilities Commission.

<sup>3</sup> O’Brien & Gere Engineers, Inc., Final Report for the Water System Regionalization Feasibility Study (Feb. 27, 2004).

<sup>4</sup> The Bluegrass Water Supply Consortium filed this report on June 28, 2004.

recommended that a water source commission be created to govern the operation of these facilities.

Kentucky-American, although a BWSC member, has not expressly advised the Commission of its intentions in this matter. According to the BWSC Report, Kentucky-American has signed a non-binding agreement to take approximately 22 million gallons daily from the proposed facilities upon completion of their construction.

The Commission finds that, in light of these recent developments, Kentucky-American should be required to submit a detailed report regarding its efforts since March 19, 2001 to ensure adequate sources of supply to meet customer demand through 2020 and its present plans for securing such sources. More specifically, Kentucky-American should address in this report its current estimate of the size of Kentucky-American's water supply deficit as of 2020, the proposed creation of a water source commission, its planned involvement with the proposed water source commission, the proposed construction of facilities at Kentucky River Pool No. 3 and on the Ohio River, the establishment of a grid network of water pipelines, the feasibility and adequacy of the BWCS's proposed solution, and its intentions regarding the plan set forth in its submission of March 19, 2001.

IT IS THEREFORE ORDERED that Kentucky-American shall, within 45 days of the date of this Order, file with the Commission a detailed report regarding its efforts since March 19, 2001 to ensure adequate sources of supply to meet customer demand through 2020. This report shall, among other things, address its current estimate of the size of Kentucky-American's water supply deficit as of 2020, the proposed creation of a water source commission, its planned involvement with the proposed water source

commission, the proposed construction of facilities at Kentucky River Pool No. 3 and on the Ohio River, the establishment of a grid network of water pipelines, the feasibility and adequacy of the BWCS's proposed solution, and its intentions regarding the plan set forth in its submission of March 19, 2001.

Done at Frankfort, Kentucky, this 23<sup>rd</sup> day of September, 2004.

By the Commission

ATTEST:

  
Executive Director